Report Q194
in the name of the Panamanian Group
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The Impact of Co-ownership of Intellectual Property Rights on their Exploitation

Discussion and Questions

1) Analysis of the current substantive law

1) The regulation of co-ownership may depend on the origin of co-ownership.

It may be considered that, in case the object of an intellectual right (esthetical, technical or commercial) is jointly created by two or more persons, the rules applicable to such a situation may be different from those applicable in the situation when the co-ownership results from the division of the same right among different persons as the consequence, for example, of heritage or a division of a company.

Also, there may be the situations where the co-ownership is imposed in fact by one party on the other in case of some technical creation (for example in case of the improvement or modification of the previous creations which not always may result in the independent right).

Therefore, the groups are invited to indicate if, in their national laws, the rules related to the co-ownership of IP Rights make any distinction in the applicable rules to the co-ownership of an IP Right in case the origin of the co-ownership rights is not voluntary but results from other situations, including the division of a right in case of a heritage.

In this context the Groups may also indicate if there are any legal definitions of co-ownership of the IP Rights adopted in their countries and what these definitions are.

The Panamanian law does not make any difference in the applicable rules to the co-ownership of an IP Right in case of the origin of the co-ownership right is not voluntary by results from other situations, including the division of a right in case of a heritage.

The only two regulations included in the Panamanian Law, that may have a relationship in connection with the co-ownership of an IP Right are the following:

a) Article 38 of Law No. 35 of May 10, 1996:

“When several invents have made the same invention, independently one from the others, the right to the patent will belong to the one who owns the application with the oldest filing of claimed priority date.”

b) Article No. 6 of Executive Decree No. 7 of February 17, 1998:

“The right to the patent or the registration will belong to the inventor. When an invention or design is carried out or created by two or more persons jointly, the right to obtain the patent or registration will belong to all in common.”
2) A large debate, during the Singapore ExCo, took place with regard to the notion of the exploitation of an IP right.

More specifically, the groups were highly divided on the issue of outsourcing or subcontracting the exploitation of an IP right.

This question, particularly important in case of patents, relates particularly to the problem of subcontracting when a co-owner of the patent who, in principle, and at least according to the position expressed by AIPPI in its 2007 Singapore Resolution, has the personal right to exploit his own part of the patent, specifically by manufacturing and selling the goods or processes covered by the patent, needs to subcontract partially or totally the manufacturing of the product covered by the patent.

No common position could be achieved by the Singapore ExCo in 2007 on the question if the right to exploit the patent should also cover the right to subcontract, specifically the manufacturing of all or part of the invention being the subject matter of the patent.

Therefore, the groups are invited to present the solutions of their national laws on this specific point.

The Panamanian Law reserves the right to exploit a patent to its owner of its licensee/s.

As a consequence of the above, in the event of co-ownership of an IP Right, the said co-owners will have the right to exploit the invention, unless they have executed an agreement limiting or dividing the invention between them.

If a co-owner of an IP Right needs to subcontract a third party for the manufacture of all or part of the invention being the subject matter of a patent, and no limitation has been imposed to the exploitation right of the whole invention, it will have the right to subcontract whoever he needs to manufacture the invention in order to allow him to commercialize the final product.

On the other hand, if the co-owners of an IP Rights imposed limitations to the rights obtained by them by means of a private or public agreement, the co-owner must have the authorization of the other/s co-owner/s to be in the position to subcontract a third party for the manufacture of all or part of the invention being the subject matter of the patent.

3) The working guidelines established for the Singapore ExCo contained also the question related to the possibility of the co-owner of an IP right to licence this right to third parties.

No distinction was, however, made in this context between a non-exclusive and an exclusive licence.

No differentiation was also made on the number of licences which could be given by one co-owner in case the non-exclusive licence would be permitted by the national law.

And if AIPPI adopted a resolution on the conditions of granting the licence, it also appeared during the discussion at the ExCo that some different or more precise solutions could have been obtained if the Working Committee had made a distinction between the nature of the licence.

Therefore, in order to improve the work of the ExCo, the groups are invited to specify how the differences in the nature of licenses (non-exclusive or exclusive) influence the solution of their national laws in respect of the right to grant the licence by a co-owner of an IP Right.

The Panamanian Law does not regulate nor make any difference between non-exclusive or exclusive license, since the agreement or contract executed between the parties will be bind between them, and will not have any effect on the IP Right granted by the Panamanian authorities.

On the other hand, there is no regulation on the number of license that may be granted, since it would be determined on the agreement reached between the parties. However,
once it has been granted an exclusive agreement for a specific territory, it is not possible to grant a second license for the same territory without breaching the agreement, and with its corresponding consequences of responsibilities or judicial decisions regarding the damages that may be caused.

It is clear that the granting of a license of an IP Right owned by two or more co-owners, will be subject to the capabilities or limitations granted or imposed to each of the co-owners of the IP Rights. If limitations have been imposed, the co-owner may also grant a license (exclusive or non-exclusive) of said part or potion of the invention. If no limitation has been imposed, the co-owner will have the right to license the IP Right, considering and taking into account all of the previous licenses that may be granted by the other co-owners of the IP Right.

4) One of the most difficult questions which appeared during the discussion at the Singapore ExCo was the possibility to transfer or assign a co-owned share of an IP right.

And the problem seemed so complicated that finally the Working Committee decided to withdraw its proposal for a resolution on this point.

In fact, the discussion showed that the solutions concerning the right to transfer or assign may vary since there is a huge variety of situations related to the transfers of the co-owned share.

Notably, one could imagine that the transfer is operated on the whole share of the co-owned IP right, but it also could be simply an assignment of a part of the co-owned share, creating therefore an additional co-owner of an IP right.

And such transfer of a part of a share of an IP Right could be used to overcome the limitation which could exist on the granting of licences by the co-owners.

The Groups are therefore invited to precise their position on the question of the transfer or assignment of a share of the co-owned IP Right, taking into the consideration the different situations which may occur (the transfer of the whole share of a co-owned IP Right or the transfer only of the part of the share of the co-owned IP Right).

In any of the proposed situations, the transfer of the whole share of a co-owned IP Right or the transfer only of the part of the share of the co-owned IP Right, the assignor must comply with any kind or limitation or condition imposed by the rest of the co-owners of the IP Right, such as previous authorization or notification.

Once it has comply with the conditions imposed by the rest of the co-owners, if the assignor is transferring or assigning the whole part of the co-owned IP Right, this transferring will be made with all the limitations, conditions or benefits previously imposed or granted to the assignor. Accordingly, the new co-owner will have the same obligations and rights as the original co-owner (assignor) of the co-owned IP Right.

We are of the opinion that the same applies to the assignment/transfer of a part of the share of a co-owner IP Right, since as co-owner it has the faculty to dispose of his property and no valid limitation may be imposed to his right of disposing of his property without violating his personal rights in our law.

5) The exercise of an IP right co-owned by two or more co-owners each of whom has in principle the right to exploit the co-owned right, may also raise difficulties from the point of view of competition rules.

The co-owned IP Rights may give the co-owners the dominant position on the market and their agreement on the co-owned IP Rights (when for example it prohibits the licensing) may also be seen as eliminating the competitors from the market.
The groups are therefore invited to explain if their national laws had to treat such situations and what were the solutions adopted in those cases.

It is clear that a protected IP Right such as an invention protected as a patent grants its owner or co-owners a monopoly in the domestic market of the country or protection for the term of validity to the granted registration.

The Panamanian Law protects the market and the commercial relationship between the parties, avoiding the constitution of monopoly or unfair practices that derive in the direct benefit of one individual person or limited group of persons from the rest.

Notwithstanding the above, the protected patent constitute an exception of the rule for the term of validity of the registration in our country, and therefore it provides the owner or co-owners with the right to dispose or decide whether to exploit or not the IP Right in our country.

It is important to take into account that the Panamanian Law does not require the use, work or exploitation of the protected IP Right in our country to maintain its validity, therefore the owner/co-owners has the right to decide on this issue.

6) The groups are invited to investigate once more the question of the applicable law that could be used to govern the co-ownership of various rights coexisting in different countries.

This point was left for further study by the paragraph 9 of the resolution adopted in Singapore.

And more specifically the Groups are requested to indicate if their national laws accept that the co-ownership of an IP Right, even if there is no contractual agreement between the co-owners, may be ruled by the national law of the country which presents the closest connections with the IP Right.

If this is the case, what in the opinion of the Groups would then be the elements to take into the consideration to assess this connection?

The Groups of the EU Countries are in this context asked to indicate if they consider that Council Regulation of June 17, 2008 (No 593/2008), so called “Rome I” may be applicable to the Co-Ownership agreements.

According to our law, an IP Right protected in our country will be govern within the territory of the Republic of Panama by the Panamanian Law.

On the other hand, the co-owners of an IP Right may agreed by means of an executed agreement that the IP Right will be govern by the law of an specific country, in which case said applicable law is valid in Panama.

In case of a controversy between the parties, and in the absence of an executed agreement between the co-owners in this respect, the factors that may be taken into consideration in order to determine the applicable law based on the provisions of the Panamanian Law are the following:

- Country of origin/residence of the infringing co-owner;
- Country on which the violation occurred.

7) Finally, the groups are also invited to present all other issues which appear to be relevant to the question and which were not discussed neither in these working guidelines, nor in the previous ones for the 2007 ExCo in Singapore.

At this point we cannot think of any other issued which appear to be relevant to the questioning and which have not been discussed neither in these working guidelines, nor in the previous ones for the 2007 EXCO in Singapore.
Summary

The impact of co-ownership of intellectual property rights on their exploitation is very simple in Panama.

The Panamanian Law does not regulate the co-ownership of an IP Right, it just establishes that an IP Right may be owned by more than one person.

Basically the co-ownership of an IP Right will be governed by the agreement of the parties, which will have the faculty to determine obligations and rights of the co-owners.

The granting of a license, as well as the transfer/assignment of the part or share of a part of a co-owned IP Right will be also based on the agreement of the parties.

The applicable law will depend on the protection of the co-owned IP Right in our country. If no protection derived from a registration has been granted, the applicable law will depend on the origin/domicile of the infringing co-owner or the country on which the violation of the agreement have occurred.

Résumé

L’impact de la copropriété des Droits de la Propriété Intellectuelle sur leur exploitation est vraiment simple en Panama.

La Loi Panaméenne ne règle pas la copropriété d’un droit de Propriété Intellectuelle. Elle simplement indique que le Droit de Propriété Intellectuelle peut appartenir à plus d’une personne.

La copropriété d’un Droit de Propriété Intellectuelle est régulée par l’accord entre les parties, qui auront la faculté d’établir les obligations et les droits des copropriétaires.

L’octroi d’une licence, et le transfert/la cession d’une partie ou portion d’une partie de la copropriété d’un droit de Propriété Intellectuelle seront aussi réglés par l’accord des parties.

La loi applicable va dépendre de la protection de ces droit de Propriété Intellectuelle dans notre pays. S’il n’existe pas de protection à partir d’un registre, la loi applicable dépendra de l’origine/le domicile du copropriétaire transgresseur ou le pays où l’accord a été violé.

Zusammenfassung

Die Wirkung von mit Besitz intellektueller Eigentumsrechte auf ihrer Ausbeutung, ist in Panama sehr einfach.

Das panamaische Gesetz reguliert nicht der Mitinhaber eines IP (intellektueller Eigentums) Rechtes, es schafft gerade, dass ein IP (intellektueller Eigentums) Recht vielleicht ehr als einer Person gehört.

Im Grunde wird das Miteigentum eines IP (intellektuellen Eigentums) rechtes des Besitzes von Einverständnis den Teilen regiert werden, die Fähigkeit haben werden, um Verpflichtung und Rechte von dem Mitinhaber zu bestimmen.

Das Zugeständnis einer Lizenz sowie die Übertragung / Aufgabe des Teiles oder dem Anteil ein Stück von einem gemeinsamen IP (intellektuellen Eigentums) Recht, wird auch auf der Zustimmung der Parteien gegründet werden.